

Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 DOTE-00 ISO-00 AID-05 CIAE-00 EB-08
FRB-01 INR-10 NSAE-00 ICA-20 XMB-04 OPIC-06 SP-02
LAB-04 SIL-01 OMB-01 /085 W
-----040191 241520Z /50

R 240752Z APR 78
FM AMEMBASSY JIDDA
TO USDOC WASHDC
INFO SECSTATE WASHDC 1839
USLO RIYADH
AMCONSUL DHAHRAN
AMEMBASSY ATHENS
US TREASURY WASHDC
AMEMBASSY CAIRO
AMEMBASSY TEHRAN

UNCLAS SECTION 1 OF 2 JIDDA 3093

STATE PASS DOT

ATHENS FOR RTDO

E.O. 11652: N/A
TAGS: BTIO, BTRA, BENG, SA
SUBJ: FOREIGN BUYER PROGRAM: MAJOR PROJECT: INVESTMENT AND CONTRACT
OPPORTUNITY IN SAUDI ROAD TRANSPORTATION SYSTEM

REF: (A) JIDDA 3037 (NOTAL, (B) USREP MESSAGE NO. 609 (NOTAL),
(C) JIDDA 6166 DTG 9/6/77 (NOTAL)

1. SUMMARY: EMBASSY HAS RECEIVED VISIT FROM REP OF DALLAH
ESTABLISHMENT, WITH LETTER FROM SHEIKH SALEH KHAMEL CLAIMING THAT
DALLAH IS THE SAUDI COMPANY AUTHORIZED BY THE COUNCIL OF MINISTERS
TO SET UP INTRA-AND INTER/CITY TRANSPORT SERVICE COMPANY WITH
INITIAL CAPITALIZATION OF SR 300 MILLION (U.S. DOLS 86.7
MILLION). DALLAH INTENDS TO SEND TWO REPRESENTATIVES TO
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VISIT U.S. AS SOON AS ITINERARY AND APPOINTMENTS CAN BE
ARRANGED TO SEEK AMERICAN TRANSPORT MANAGEMENT PARTNER TO PLAN
IMPLEMENTATION OF SERVICE. INITIAL IMPLEMENTATION WILL BE OF
CITY BUS LINES TO BE ESTABLISHED INSIDE MECCA, JIDDA, AND
RIYADH IN OCTOBER, WITH EXPRESS INTRA-CITY SERVICE TO FOLLOW.
U.S. PARTNER MUST RPT MUST BE PREPARED TO PUT IN TEN PCT.
EQUITY, AND IS GUARANTEED 15 PCT. PROFIT BY SAG. (SEE REFTTEL

A). END SUMMARY.

2. EGYPTIAN CONSULTING ENGINEER TO DALLAH ESTABLISHMENT, ESSA WADHAN, CALLED ON COMMERCIAL OFFICE ON 4/23 WITH LETTER IN HAND FROM SHEIKH SALEH KAMEL STATING THAT DALLAH ESTABLISHMENT HAD BEEN AUTHORIZED BY THE COUNCIL OF MINISTERS TO SET UP THE GENERAL TRANSPORT COMPANY DESCRIBED REFTEL A. DALLAH ESTABLISHMENT IS A MAJOR SAUDI HOLDING COMPANY NOW ASSOCIATED WITH AVCO IN AIRPORT MAINTENANCE CONTRACTS DESCRIBED IN WTDR (REFTEL C).

3. DALLAH NOW REQUESTS ASSISTANCE IN SETTING UP APPOINTMENTS AND AN ITINERAY IN THE UNITED STATES FOR WADHAN AS WELL AS DALLAH CONSULTANTS IN ORDER TO FIND A MAJOR AMERICAN COMPANY INVOLVED. IN THE MANAGEMENT OF INTRA-CITY AND INTER CITY TRANSPORT (PASSENGER AND FREIGHT). THIS COMPANY SHOULD BE PREPARED TO INVEST ITS MONEY (ABOUT DOLS 8.7 MILLION) AND PARTICIPATE IN THE PROFIT OF THE OPERATION ACCORDING TO RESULTS OF PRELIMINARY FEASIBILITY STUDY AND ACCORDING TO OUTCOME OF NEGOTIATIONS WITH DALLAH.

4. WHEN A CANDIDATE COMPANY IS FOUND, AND THE FEASIBILITY AND SCOPE OF ITS PARTICIPATION IS ESTABLISHED, THE NEXT STEP WILL BE TO DRAW UP A DETAILED TRANSPORT NETWORK PLAN FOR IMMEDIATE IMPLEMENTATION OF CITY BUS SERVICE FOR MECCA AND MEDINA DURING THE PILGRIMAGE SEASON IN LATE OCTOBER 1978. FEASIBILITY STUDIES NEED NOT BE LENGHTY, SINCE THEY WILL BE UNCLASSIFIED

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BASED ON TRAFFIC STUDIES DRWAN UP OR THE MINISTRY OF COMMUNICATIONS AND TRANSPORT BY TRANSPORT PLANNING ASSOCIATES (A SUBSIDIARY OF GEORGE MCKAY OF LONDON).

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5. IF CITY BUS SERVICE IS SUCCESSFULLY ESTABLISHED IN MECCA, RIYADH, AND JIDDA, THEN NEW COMPANY WILL PROCEED TO ESTABLISH EXPRESS BUS SERVICE CONNECTING RIYADH, MECCA, MEDINA, AND JIDDA. OVER THE LONG TERM, THE COMPANY WOULD BE POSITIONED AS THE LEADER IN ESTABLISHING AN INTEGRATED NATIONAL BUS AND RAIL SERVICE FOR THE MOVEMENT OF BOTH PASSENGERS AND FREIGHT.

6. CAPITALIZATION AND EQUITY SHARES OF NEW COMPANY TO BE AS DESCRIBED REFTEL A. COMPANY WOULD HAVE SEVEN/MAN BOARD OF DIRECTORS, OF WHICH FOUR WOULD REPRESENT DALLAH AND THE FOREIGN PARTNER, ONE WOULD REPRESENT THE MINISTRY OF COMMUNICATION AND TRANSPORT, ONE THE MINISTRY OF PLANNING AND ONE SAUDI ROYAL FAMILY INTERESTS. DALLAH REP CONFIRMS THAT THE SAG HAS AGREED TO SUBSIDIZE FARES AND GUARANTEE A 15 PERCENT RETURN
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TO INVESTOR. PUBLICLY OFFERED SHARES WOULD LIKELY BE ABSORBED LARGELY BY DALLAH INTERESTS.

7. COMMENT: EMBASSY BELIEVES INFORMATION PROVIDED BY DALLAH REP TO BE RELIABLE, AND THAT THE ORGANIZATION CARRIES THE POLITICAL WEIGHT AND EXPERIENCE NECESSARY TO BE CHOSEN TO CARRY OUT THIS PROJECT. AN EARLY COMMITMENT TO INVEST BY AN AMERICAN COMPANY, BASED ON SUCCESSFUL STUDY AND NEGOTIATION WILL BE THE KEY TO THIS PROJECT. AMERICAN SUPPLIERS SHOULD REALIZE THAT PARTICIPATION IN THIS PROJECT WILL MEAN AN INITIAL ORDER OF AT LEAST 500 CITY BUSES TO BE DELIVERED FOR THE PILGRIMAGE SEASON THIS FALL, PLUS THE ADDITIONAL ORDERS AND A LONG TERM CONTRACT. GOVERNMENTAL COMPANY WITH REQUIRED EQUITY PARTICIPATION BY FOREIGN CONTRACTOR APPEARS TO BE ENERGY IN PATTERN IN SAUDI MAJOR PROJECTS. IF CASH-RICH AMERICAN INDUSTRY DOES NOT RESPOND WITH ALACRITY TO THIS OPPORTUNITY, THEN THE WAY WILL BE OPEN FOR EUROPEAN FIRMS TO TAKE OVER A

MAJOR ROLE IN THE SAUDI TRANSPORTATION NETWORK AND THE
ANCILLARY SUPPLY OF NEEDED EQUIPMENT.

6. NEED FOR TRANSPORTATION ASSISTANCE DESCRIBED REFTEL A
IS SEPARATE FROM THE DALLAH VENTURE, SINCE THIS ASSISTANCE
WILL BE PROVIDED TO THE MINISTERIAL OFFICE SUPERVISING THE
VENTURE.

7. ACTION REQUESTED: USDOC AND FOREIGN BUYER PROGRAM OFFICES
ARE REQUESTED TO DRAW UP LIST OF INTERESTED AMERICAN COMPANIES
AND SUGGESTED ITINERARY. EMBASSY WILL TRANSMIT LIST TO SHEIKH
SALEH UPON RECEIPT AND CONFIRM TRAVEL PLANS OF DALLAH REPS.
IN DISCUSSION WITH DALLAH REP. EMBOFF INDICATED THAT APPOINT-
MENTS AND ITINERARY SUGGESTION SHOULD BE READY IN TIME TO
PERMIT A MAY 15 DEPRTURE.

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8. REFTEL A BEING TRANSMITTED INFO ADDRESSEES. DALLAH ADDRESS
FOR INTERESTED U.S. FIRMS IS P.O. BOX 1438 RIYADH SAUDI ARABIA,
TELEX 20036 DALLAH SJ, RIYADH. CABLE: DALLAH RIYADH TEL:
24899 RIYADH. CORRESPONDENCE SHOULD BE DIRECTED TO SHEIKH SALEH
A . KAMEL. COPIES OF CORRESPONDENCE SHOULD ALSO BE SENT TO
COMMERCIAL UNIT, EMBASSY JIDDA.
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Message Attributes

Automatic Decaptioning: X
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Draft Date: 24 apr 1978
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Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
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Disposition Reason:
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Litigation Codes:
Litigation History:
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TAGS: BTIO, BTRA, BENC, ELTN, SA
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